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Persuasive Aid
Looking the Gift Horse in the Mouth

A paper submitted in partial fulfillment
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*"There has never been a valid definition of development. From the point of view of the Northern countries, it's whatever activities they give money to poor countries to engage in."*¹

Foreign assistance has changed since the Cold War. What was once a cooperative tool of statecraft (that is, an activity undertaken for the recognized mutual benefit of all), is increasingly a persuasive tool (that is, an activity taken by Actor A to persuade Actor B to do something in A's interest). The adage goes that one should "never look a gift horse in the mouth." Yet that is exactly what many aid recipients are doing – questioning whether aid is in their own best interests and, if so, whether the policies donors advocate form the best way to promote those interests.

This paper seeks to examine the changing perception aid recipients have of the nature of foreign assistance. The argument will be made that donors must either adjust their assistance policies to be truly "cooperative" or accept the natural tensions implicit in the use of "persuasive" aid.

Why Give Aid?

The origin of American foreign assistance programs can be found in the Cold War. As development scholars Larry Nowells and Curt Tarnoff note:

¹ Robert Bissio "An Interview with Robert Bissio," interview by Vera Britto, Speaking of Development Interview Project, available from <http://www-personal.umich.edu/~fiatlux/td/roberto/rb-eng.html>, Internet accessed September 10, 1998.

it was the Cold War and the policy of containment and anticommunism that shaped the aid program and gave it its chief rationale. There have been different types of assistance, but each has served the overriding political rationale of confronting communism wherever it threatened U.S. interests.²

For the Cold War warrior, foreign assistance was a straightforward mutual exchange. The United States would give a poor country something useful (like a bridge, a health system, or a navy) and, in return, the poor country would give its support against Ivan. The Soviets, of course, were engaged in the same barter system. Some poor countries proved quite adept at playing the two suitors against each other. The key element is that aid was not used primarily to build the wealth or health of recipient countries but to ensure our own security in the global arena. Keeping this priority in mind, current USAID Director Brian Atwood had it wrong when he said, about Zaire, "the investment of over \$2 billion of American foreign-aid served no purpose."³ From the Cold War perspective, aid to Mobutu kept Central Africa anticommunist, eventually helped force Cuban troops from Angola, and contributed to the emergence of Southern Africa as an open pro-Western trading region. The development of a rapacious kleptocracy in Kinshasa was but an unfortunate side effect. From a strict

² Larry Q. Nowels and Curt Tarnoff, "Foreign Assistance as an Instrument of U.S. Leadership Abroad" (Washington: National Policy Association), pg. 4.

³ Doug Bandow, "Foreign Aid Costs Us More and Gains Us Less" (Washington: CATO), March 10, 1997. Available from <http://cato.org/daily/s/3-10-97.html>, Internet. Accessed September 12, 1998.

security point-of-view, then, the United States had some spectacular successes (Southern Africa, the ASEAN countries and Brazil, for instance) and equally spectacular failures (notably Indochina)

Why do we have aid in the post-Cold War period? As in the past, donors cite their own self-interest in justifying foreign assistance. The development of other countries' economies and social structures are cited as "means," not "ends." Here are a few public statements concerning donor aid programs:

- The United States "Promoting sustainable development among developing and transitional countries contributes to the U.S. national interests and is a necessary and critical component of America's role as a world leader. It helps reduce the threat of crisis and create the conditions for economic growth, the expansion of democracy and social justice, and a protected environment. Under these conditions, citizens in developing and transitional countries can focus on their own social and economic progress, **which creates demand for U.S. good and services** and expands cooperative relations between the U.S. and assisted countries."⁴
- France: "The aim (of revamping French aid in February 1998) was to rebuild the unity of French foreign policy while maintaining our commitments which

⁴ USAID, "USAID Strategic Plan," Available from http://www.info.usaid.gov/pubs/strat_plan/#USAID'S MISSION Internet Accessed September 12 1998

we had with our traditional – in particular, African – partners”⁵ “The African countries’ relations with France are being brought back into the normal sphere of diplomatic relations, it is a way of making them part of the concert of nations, of freeing them from slavery. We had (in our policy change) to respond to the new African elites who want to have normal cooperation, free of nostalgia and guilt, with France”⁶

- Japan. “(Foreign Assistance) is directly in Japan’s own national interest as a country striving to strengthen its ties of interdependence with the rest of the world”⁷ “(Aid) is a means of defending the nation against the threats of the post-Cold War world, of raising a national status tarnished by war, and of avoiding the international criticism and isolation by contributing positively to a world community sensitive to market imbalances”⁸

The Third World leader can see multiple reasons why donors would want to give aid. They range from a form of neo-mercantilism (the U.S.), to old fashioned sphere of influence politics (France), to a form of sugar coating for an economy that might otherwise be seen as threatening (Japan). None of these

⁵ Interview with French Foreign Minister Hubert Vedrine” *Quest-France* (Nantes, France) February 6 1998 Available via FBIS Electronic Database reference FBIS-WEU-98-040, February 9 1998, Accessed September 4 1998

⁶ Gerard Nicaud. “A Minister for Africa.” *Le Figaro* (Paris), Feb 5, 1998 Available via FBIS Electronic Database reference FBIS-WEU-98-036, February 5, 1998 Accessed September 4 1998

⁷ Ministry of Foreign Affairs of Japan “Interim Report of the Council on ODA Reforms in the 21st Century, July 1997 Available at <http://www.mofa.go.jp/policy/oda/reform/interim.html>, Accessed September 13 1998

⁸ Dennis Yasumoto The New Multilateralism of Japan’s Foreign Policy, St. Martin’s Press N.Y. 1995 pg. 4

approaches is altruistic -- whether a recipient develops or not is secondary to the donor's primary objective.

Why Reject Aid?

Developing countries are increasingly questioning the appropriateness of foreign assistance in the pursuit of their own strategic interests. The most basic interests of all countries will include advancing the commonweal and protecting the state. With these interests in mind, Third World leaders question

- Do the interests advanced by donor countries also advance the interests of recipient countries?
- Are the means selected by the donor countries the best to advance mutually beneficial interests?
- Can the means selected by the donors actually threaten the state?

The August 29 – September 3, 1998, Non-Aligned Movement Summit in Durban, South Africa, gave voice to some of these questions. Third World leaders argued that the current structuring of the international – increasingly globalized – economy does not give sufficient weight to their interests.

The Heads of State or Government reaffirmed the need to establish an open, rule based, accountable, predictable, just, equitable,

comprehensive, development oriented, and non-discriminatory global system of economic relations, especially at a time when developing countries are actively engaged in the process of liberalization and integration into the world economy.⁹

Third World leaders talk about what they do not see in the Globalized World Economy – principally, a mutually beneficial exchange. While many in the Third World recognize the long-term benefits of open markets, some argue that too much, too fast, makes them too vulnerable to market volatility they have too little capacity to absorb. The Asian economic crisis is cited by Third World analyst Chakravarthi Raghavan as an example of the risks of letting liberalism go too far, “The excessive, ill-conceived deregulation of recent years, induced insignificant measure by the bullying of external Neo-Liberal forces, have turned a number of Asian countries from economic miracles to economic disasters in a matter of weeks”¹⁰ Raghavan writes that prior to succumbing to “Neo-Liberal” forces, the Southeast Asian economies “(did not leave their) future development hopes to the vagaries of unregulated markets, and all had some form of state-led industrial policy”¹¹

⁹ Department of Foreign Affairs of the Republic of South Africa “Final Document of the 12th Non-Aligned Movement Summit” Available at www.nam.gov.za/finaldocument.html#49, Internet, Accessed on September 11 1998

¹⁰ Chakravarthi Raghavan, Economic Miracles Turned to Disaster by Neo-Liberalism, ‘Third World Economics’ No 179/180 February 16 – March 15 1998 Available at www.southside.org.sg/souths/twn/ttle/rag_cn.htm, Internet, Accessed September 11 1998

¹¹ Ibid

Foreign leaders claim that the inequity in the globalized market system will lead to permanent disadvantage. Fidel Castro asks rhetorically, "How are we (the developing countries) supposed to make a living? What goods and services shall we export? Which industrial products will be left to us? Only those with a technology gap and a high input of human labor, and the highly pollutants? Might this be an attempt to turn a large part of the Third World into an immense free zone full of assembly plants that do not even pay taxes?"¹² Uganda's President Museveni, for one, argues that if true North-South equality cannot be established, developed nations are better off building mutually advantageous markets among themselves than staying in the global economy.¹³

Even those Third World leaders who accept there is an inherent mutuality of interests for developed and non-developed reject or are suspicious of conditions placed on donor assistance:

The (Non-Aligned) Movement, while subscribing to the values of environmental countries protection, labor standards, intellectual property rights, sound macro-economic management and protection of human rights, rejects all attempts to use these issues as conditionalities and

¹² Dr Fidel Castro Ruz, 'On the Global Economic Crisis' Available at

<http://www.islandnet.com/~ncfs/maisite/castro.htm#1>, Internet Accessed September 11 1998

¹³ C. Gerald Fraser, 'President Yoweri Museveni on Uganda's emerging role in globalization' *Earth Times News Service*, August 19, 1998 Available at

http://www.earthtimes.org/aug/economicdevelopmentpresidentaug19_98.html, Internet Accessed on September 11 1998

pretexts for restricting market access or aid and technical flows to developed countries.¹⁴

Third World governments reject the linkages of “social” and “development” issues on several levels. Single-issue constituencies, such as the human rights movement, will argue that despotism alone explains the reluctance of many developing countries to accept a linkage between aid and human rights. Third World leaders would argue that linkages (to human rights, labor standards, environmental policy, or whatever) are primarily tools used to disadvantage developing countries in the marketplace. Issues like human rights, they will note, have no finite unit of measurement, therefore, there is no way to objectively determine whether a country has met the linkage or not. On other issues like the respect of labor and environmental standards, developing countries will note that developed countries ignored these issues when they themselves were in the process of development. Arguments also revolve around the question of whether political human rights are more, equally, or less important than economic human rights.

Finally, some countries fear that foreign assistance undermines the state. The preference of donors to deal with local NGOs rather than the state (in effect bypassing national leaders) is seen as destroying the fabric of the state. Congolese presidential advisor Jean Mbuyu recently noted the difficulty for the

¹⁴ Final Document of the 12th Non-Aligned Movement Summit ”

state in addressing human rights abuse when aid goes only to NGOs. Mbuyu noted that aid had given national NGOs tremendous capabilities not shared by the government. The NGOs were able to rapidly discover and disseminate information about abuses while Justice Ministry officials charged with investigation and prosecution had no resources to do their job. Aid programs aimed at establishing adversarial or parallel NGO structures without simultaneously building state capacity were doomed to cast governments in an ever more negative light.¹⁵

Policy Implications

Recipient countries recognize the non-altruistic nature of aid and increasingly question its utility in pursuing their own strategic interests. To the extent recipient countries do not see mutual benefit in accepting foreign assistance, donors must expect resistance. When donors find a country is "hard to help," they are probably faced with a government that sees aid as contrary to its own interests. Developing countries will continue to look cautiously at the teeth of the gift horse of foreign assistance since, in their view, it is not a gift at all.

¹⁵ Jean Mbuyu interviewed by author and staffmembers of the House International Relations Committee, July 2 1998 unpublished

